

# The crisis paradox:

# how intelligent branding can help you seize opportunities in a downturn

by Josh Feldmeth

### Navigating turbulent seas

Rising energy demand, food shortages, soaring raw materials costs, frozen financial markets, declining productivity, and waning consumer confidence—these seismic shifts are reshaping the financial sector and challenging players up and down the value chain to produce results. Few will remain untouched. Even industries like healthcare, where demand is less sensitive to market fluctuations or ultra-luxury brands, whose customers tend to be insulated from economic downturns, will surely have to make some tough decisions in the coming weeks, months, and years.

Management has snapped into action, deploying the classic recessionary tools—consolidation, cuts in their workforce, spending caps, and budget reductions. And yet, the question remains: How should brands be managed in a crisis? What kinds of recessionary tools should marketers be using?

Interestingly, the tools that may work in other parts of the business don't necessarily apply to branding. While you can downsize, right size, in-source, and outsource, you

can't fire the brand. It won't go away. Brand owners only have two options to navigate turbulent seas. They can either ignore the brand (i.e. stop spending) or manage brand assets for greater value.

Although the first solution of ignoring the brand may seem the simplest, the brands that choose the second can seize unique opportunities in challenging markets. These are the organizations that build unbeatable brands—and these are the brands that may even come out winning a new and bigger piece of the pie by adapting to the changing environment.

### Effectiveness + efficiency = more from less

Well-positioned brands create value by driving demand. Smart brand owners manage this value by building strong brands that secure future revenue over time. The current environment is demanding even greater returns, forcing brand owners to quickly locate incremental value from the brands they manage. Unfortunately, even organizations with strong brands can struggle to capture incremental value for two big reasons.

- 1. They lack a detailed understanding of brand mechanics—how their brands influence behavior and customer choice. Greater insight into the mechanics of brand value creation is essential for improving effectiveness during periods of market instability.
- 2. They are not equipped with the advanced management tools required to make complicated and pressurized capital allocation decisions. Improved decision-making can optimize brand efficiency by measuring return on brand investment, assessing risk, estimating outcomes, and clarifying the future scenarios with the highest probability of success.

The two together—effectiveness and efficiency—promise what the recessionary brand owner needs: more from less. Far easier said than done. Still, with advanced analytics, some process discipline, and the courage to move quickly, it is possible to achieve this goal.

#### How to get there?

The right move depends on many factors: industry, strategy, customer targets, and internal organization and culture. Here are

some of the typical questions we are hearing right now from clients under pressure:

- I need new sources of revenue, fast how do I find it?
- My 2009 budget is in jeopardy, and I need to prove ROI—how do I do this? How do I do more with less this year?
- How can I squeeze more value from my brand portfolio, my retail network, or my global chain of restaurants?
- How do I offset declining growth in my category? How do I hit growth targets when customers are cutting back?
- How can I continue to justify my price premium? What do I do given that my brand is at the premium end of the category?
- We're launching a major initiative, and in this market, there is no room for error—how do I ensure that nothing goes wrong?

While the burning business questions may differ from client to client, all require a greater understanding of the mechanics of brand value creation (effectiveness). This understanding will help brands create more value and improve decision-making (efficiency), so brands can spend more wisely.

The tools of brand analytics—tailored research, intelligence systems, risk and probability models, capital optimization are essential for winning in crisis markets. A crisis not only disrupts financial and consumer markets, it also radically changes everything that you once may have held to be true about your brand. New customer behaviors emerge, competitors consolidate, and regulation changes. Because the knowledge used to manage brands during more stable business cycles becomes either suspect or irrelevant, it is essential for brands to unlearn, relearn, and refresh their brand strategies—and they can do this by using brand analytics tools, to quickly adjust to a shifting landscape and make informed investments.

Below are some very recent examples of a variety of companies who have refreshed

their strategies to better manage their brands through the crisis.

## Brands who leveraged more value from current assets

- A global, diversified bank rebalanced its brand portfolio toward a more efficient centralized model based on the insight that drivers of choice were consolidating globally. (Read more about this bank in the sidebar, Case study #1.)
- After watching competitors experiment with new restaurant concepts, like McDonald's R-Gym, an international quick-service restaurant chain recently questioned if they were over-investing in expensive facility programs, and under-investing in marketing and food promotions that can get to market more quickly.
- A big box US retailer reinvented its store into a more experiential destination, with broader services and in-store resources, in order to gain visits from cost-conscious shoppers looking for new (and cheaper) sources of entertainment.

### Brands who found new sources of growth

- A major FMCG player mined its current consumer segmentation data for insights on how target customers attach to the brand, preventing private label and share erosion.
- A global heavy equipment manufacturer identified brand partnerships that leveraged common brand equities, resulting in several million Euros of incremental brand revenue.
- A UK-based retailer and global FMCG player joined forces to re-orchestrate retail shelving principles based on shopper needs, stimulating organic growth in the category. (Read more about this UK-based retailer in the sidebar, Case study #2.)

# Brands that improved their decision-making

 The corporate brand manager at a life and chemical sciences company proved the Return on Brand Investment (ROBI).
 The concrete data encouraged support for an increase in his budget allocation.

# Case study #1: Banking on the brand Demand delivered just in time.

No one is feeling the current crunch more than banks. Many of the current challenges, from capitalization concerns to reputation loss will take years to repair. Our client didn't want to wait.

Starting earlier in 2008, we engaged with a leading diversified bank to recalibrate its brand portfolio for greater value. We investigated drivers of demand and existing brand equities in mature and growth markets across each of the client's sub-branded businesses around the globe.

Our research results ran counter to convention. Customer needs - from retail customers in Europe to new money and high net, worth individuals in Asia to investment bank customers in the US—unexpectedly demonstrated considerable overlap. These very different customers had very similar needs, and for a global bank, with far-flung marketing, communication, and sponsorship activities, it presented an invaluable opportunity to leverage brand investments for greater return.

Using the data, we constructed a structural equation model to identify brand interaction effects: how the perceptions of one or more of the client's brands created (and prevented) demand for other brands in the portfolio. This intelligence revealed a new set of portfolio management principles. If followed, these principles would grow demand across the business.

The so-called holy grail of branding—greater effectiveness and efficiency equals more for less—was delivered in a spreadsheet, just in time for the global financial meltdown.

### Case study #2: Attention shoppers There's hidden value on aisle 5.

Food store and supercenter shoppers are extraordinary creatures. Whether sniffing out a bum melon, spotting a better deal across the aisle, making adjustments when their product is out of stock, or handling split-second volume/price calculations while simultaneously juggling a baby and a mobile phone conversation, they can do it all. And they have to, considering how insensibly the typical shelf is organized.

We recently helped our client, a global consumer goods manufacturer and its retail partners, turn insights about shoppers into eight percent organic growth in a stable, household needs category.

We spent time with shoppers in their homes, learning what it was like for them to use the products and how and why they organized their collection of cleaning products. We then took that insight into the store and reorganized the shelves in terms of tasks and benefits to match how shoppers actually organized the category in their mind. In the end, they didn't notice the change, and that was the point.

The new organization mirrored shoppers' own approach to the category. It finally made sense to them. And because it was easier to shop, it refocused their attention from simply finding what they were looking for to discovering new, higher margin offerings from the brands they already trusted.

Shoppers were delighted and our client saw organic category growth without an expensive marketing and communication program—now that's a bargain.

(Read more about this life and chemical sciences company in the sidebar, Case study #3. See following page)

- A global, consumer, electronics firm optimized brand spend, resulting in 20 percent greater efficiency of marketing activity.
- A leading media company justified its brand budget by identifying how the interaction between branded content and greater customer choice affected its brand value.

These examples represent the power of brand intelligence. All of the brands above recognized that their knowledge about their brand no longer applied to the current market, and quickly updated their intelligence to detect and seize new opportunities. An understanding of brand mechanics showed these brand owners how they could make their offer more attractive and grow revenue. This refreshed brand intelligence in turn fed investment models that supported better financial decision-making.

Yes, times are tough. Yet, as these examples prove, brand intelligence can go a long way. Brands need to rise to the challenge by understanding their markets better than ever before. They need to use their improved insights to make stronger, more efficient, and more effective decisions.

#### The crisis paradox

The current environment is challenging and the concerns that many are feeling are valid. But this challenge also presents a singular opportunity for brands to perform better than ever before.

As markets contract and customers have less means to buy, they don't just buy less, but change their choice behavior entirely. Across the entire spectrum of markets, from contract logistics to commercial travel, washing up powder to wealth management, nearly every decision, even the most routine, is now up for grabs.

This might be a terrifying competitive reality, particularly for market leaders and those operating at the premium end of a price range. But it is also an opportunity for strong brands.

Brands win because they drive choice. Usually, the ability for brands to steal share is limited as customers buy on "auto pilot" with unexamined brand loyalties and a narrow functional decision criteria. But now, beset by manifold crises, customers are reconsidering almost every choice anew. True, the overall pie might be flat-to-shrinking, but shares within that pie, or the distribution of brand choice, can be highly fluid and the brands with the strongest proposition will win. And winning means a better future. Remember downturns are always followed by upturns.

You can call it the Crisis Paradox. The same extraordinary forces that are freezing liquidity, threatening solvency, and forcing customers to cut back on purchases have also opened up brand choice—the customer moment of truth.

Consider it this way: in a downturn, it is not that customers will stop buying altogether. The desire to buy and the psychological need for satisfaction is still very much there—it has to be, as just months ago consumerism was rampant. What's changed is that consumers now have to buy on a budget. As a result, customers will want more value for their purchases; they become more demanding. If a service or a product is sub-par, they will go elsewhere—and with so many businesses desperate for their support, they will be sure to find a brand that satisfies their needs.

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And yet, there is a way to become the brand that satisfies consumer's growing needs; there's a way to become the brand that captures a share of customer choice that was previously unavailable. Through a detailed understanding of brand mechanics, you can make the decisions that will optimize brand efficiency and satisfy consumers' needs.

As bad as times may seem, there is also the opportunity to capture a share of customer choice that was previously unavailable. It may be hard work to get there and you may need to reevaluate your approach, your audience, and even your product, but there's always a way to remodel. Good news for strong brands; dark clouds for the weak ones.

### Case study #3:

### Proving the case

"Good thoughts are no better than good dreams, unless they be executed!"

- Ralph Waldo Emerson

Marketers tend to get excited about brand strategy. It's understandable—it's a fun conversation about a brighter future. However, a brilliant new brand strategy has never earned or saved anyone money until it was executed.

Our client, a global life and chemical sciences company corporate brand manager, had just minted a new corporate brand positioning when he realized that the millions required to execute it would not come unless he produced a business case for change.

By interviewing company employees and analyzing competitors for clues, we identified three Brand Points of Impact (BPIs)—areas within the organization where a revitalized corporate brand could impact the business and create real value. These were hard metrics like revenue, gross margin, employee retention rates and marketing efficiencies.

Scouring employee data, customer satisfaction surveys, recruiting profiles, company financials, and anything else we could get our hands on, we quantified realistic estimates of potential brand impact. We loaded these estimates into a financial model, and used risk simulation algorithms to estimate the benefit of a new corporate brand in each point of impact.

The result was a year-one discounted Return on Brand Investment (ROBI) projection ranging from 170 to 260 percent.

For the client, this meant the difference between defending an existing budget request and proving the case for increased investment—and the proof got him the green light. Who can argue with that?



### Josh Feldmeth

In his role as European Practice Leader for Interbrand's Analytics team, Josh helps to ensure that everything we do for clients, from strategy through creative, creates business value. He helps colleagues and clients understand the mechanics of how brands create value and where capital should be deployed to maximize that value.